

REQUEST FOR APPROVAL OF LEASE TERMS AND CONDITIONS (AAC)

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State of California
M e m o r a n d u m

Business, Transportation and Housing Agency

To: CHAIR AND MEMBERS
Airspace Advisory Committee

Date: March 21, 2003

File: FLA-07-010-0070
FLA-07-110-0006

From: DEPARTMENT OF TRANSPORTATION
SOUTHERN R/W REGION
DISTRICT -07 FIELD OFFICE

Subject: Approval of Lease Terms and Conditions -Morvis Corvis Corporation

RECOMMENDATION

It is requested that the Airspace Advisory Committee (AAC), recommend to the California Transportation Commission (CTC) that it consider and approve the amendment of lease terms and conditions for two airspace parcels. It is in the best interest of Caltrans to extend the lease terms of these two lease sites for another 15 years since it relieves the State of maintenance responsibilities for an extended period of time and there is no significant interest in the market for these marginal sites.

BACKGROUND

Morvis Corvis ("Lessee") currently owns several commercial properties in Downtown Los Angeles. One of the company's business ventures is automobile parking for special events that take place at the Staples Center and Convention Center. The Lessee has been leasing these sites since 1999, pursuant to previously approved 15 year leases, and is also the adjoining owner. The leases allow for yearly CPI increases to the parcels and reevaluations every 5 years. FLA010-0070 is utilized for special event parking and FLA010-0006 is used for long-term parking/storage. The Lessee has spent over \$109,000 in parking lot improvements, which included retaining walls, wrought iron fencing, new paving, and high intensity lighting.

Prior to the Lessees' occupancy, these sites had been vacant for many years and became a maintenance nightmare with homeless encampments, trash, feces, and criminal activity. Homeless people were not only living beneath the soffit, but also had gained access to the structure through access panels. Since the Lessee owned property next to these sites, he was experiencing these problems first hand and obtained assistance from Councilman Mike Hernandez who contacted Caltrans regarding this maintenance issue. Even when Caltrans went out to clean up the areas, the chain link fencing would be cut the next day and undesirables would move back on to the sites. The Caltrans maintenance cost, associated with removing refuse and homeless people from our airspace sites, have been at a cost of up to \$20,000 annually. Since the Lessee made improvements to the site, maintenance issues have not been a factor. (Please note the attached before and after photographs of the sites). The Lessee wishes to extend the term of the lease so he can fully amortize the improvements that he has made to the sites. This would also allow the Lessee to obtain a loan on the leasehold, should he redevelop his property, in the future.

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The combined area of the two airspace sites total approximately 20,499 sf and are adjacent to the Lessees' two properties. FLA010-0070 abuts their commercial property which is improved with a commercial kitchen facility. FLA110-0006 abuts their office/warehouse facility. The airspace sites are bounded by Pico Street and Flower Avenue and 12th Street and west of the Harbor Freeway (I-110) (Note various site maps). The topography of the sites is level. As discussed, they are all are fenced, paved, lighted and have independent street access. The Lessee has kept the sites in immaculate condition. The past rental history of the said parcels is as follows:

FLA-010-0070 (Pico Blvd.) 16,712 sf

Prior to the existing lease, the site has not been leased since December of 1994. It was offered for public bid several times with no interest and it remained vacant until June of 1999. At this time, the parcel was leased out in conjunction with FLA110-0006 for a total rental amount of \$500 per month to Morvis Corvis. In November of 2001, a directly negotiated lease of 15 years was executed separately for this parcel. The initial monthly rental amount was \$833 per month, which has since increased to \$854 per month due to a recent CPI increase.

FLA-110-0006 (12th Street) 1,787 sf

Prior to the existing lease, the site has not been leased since August of 1986. It was also offered for public bid several times with no interest in the site and it remained vacant until June of 1999. At this time, the parcel was leased out in conjunction with FLA010-0070 for a total rental amount of \$500 per month to Morvis Corvis. In November of 2001, a directly negotiated lease of 15 years was executed separately for FLA110-0006. The initial monthly rental amount was \$175 per month, which has since increased to \$180 per month due to a recent CPI increase.

TERMS AND CONDITIONS

Term: Amend both leases for an additional 15 years

Area: 16,712 SF (FLA010-0070) 3,787 SF (FLA110-0006)
(Same as present leases)

Use: Parking of Cars and Light Trucks (Same as present use)

Consideration: \$854/Month (\$10,248.00/Year), based on present rental rate (FLA10-0070)
\$180/Month (\$2,160.00/Year), based on a present rental rate (FLA110-0006)

Adjustment: Annual Consumer Price Index adjustment, with a minimum annual adjustment of 2.00% and a maximum annual adjustment of 7.00%.
(Same as present leases)

Reevaluation: Every fifth year.
(Same as present leases)

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AIRSPACE APPRAISAL SUMMARY

LOCATION OF SITE AND BRIEF AREA DESCRIPTION

The airspace sites area located within the right of way at I-110 Freeway between Pico Blvd. and 12th Street. They are west of the Conventions Center, in the City of Los Angeles, County of Los Angeles, California. This is an older commercial/industrial area of the City of Los Angeles, which services tourists and the residents who live within the city, or in the surrounding communities. The services include restaurants, retail, banks, movie theaters, etc.

BRIEF PROPERTY DESCRIPTIONS

FLA's 10-0070 and 110-0006 are all level, paved sites that are partially located underneath the elevated Harbor Freeway, north of the Harbor Freeway, in the southwest quadrant of the City of Los Angeles "downtown" area.

FLA 10-0070, an "L" shaped parcel, fronts the Pico Boulevard, between Pico Boulevard and 12th Place, and measures approximately 16,712 SF.

FLA 110-0006, a relatively long and narrow parcel is across the street from FLA 10-0070, fronts 12th Place, between 12th Street, and measures approximately 3,787 SF.

ZONING

The zoning for the subject properties, as are all freeway structure properties in the City of Los Angeles are designated "Public Facilities". Allowable uses in this zoning include public parking facilities, police stations, and government buildings. The surrounding private properties are within the City of Los Angeles and have a number of zoning designations from commercial to residential.

HIGHEST AND BEST USE

Considering the inherent characteristics (irregular shape, under freeway structure) of the subject FLA's, the policy of not approving new building development under our freeways, and the estimated remaining economic life of the adjoining improvements, the current highest and best use for the subject FLA's is their continued used for vehicle parking.

BASIS FOR ESTIMATING LAND VALUE

Results from the most recent public auction of airspace sites (April 2002) were utilized to determine the appropriate rental rate for the sites. These comparables were located in southerly area of "downtown" Los Angeles. With the present rental rates for the subject FLA's falling within the per sf rental rates of the April 2002 auction parcels (\$0.029/sf to \$0.078/sf), no increase of the rental rate was deemed warranted.

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ANALYSIS

The optimum return for these two airspace sites would be realized through amending the leases for an additional 15 years with the Lessee for automobile and light truck parking which is the highest and best use. There are limited alternative uses for the site, due to heightened security requirements under the freeway structure. As parking, the proposed sites would not only add revenue to Caltrans, but it would also insure that these areas of the freeway structure would not be a maintenance burden for 15 more years. In addition, these sites have been historically difficult to lease due to their location and shape. The tenant voluntarily invested \$109,000 to enhance and secure these Caltrans properties. The other terms and conditions of these leases would remain the same, such as yearly CPI's and reevaluations every 5 years. The tenant has had a spotless payment record with Caltrans. It is requested that the Airspace Advisory Committee grant permission to directly approve the described terms and conditions, as it would be in the best interest of the State.

Approval is hereby recommended.

DAVID PATLER, Senior R/W Agent
Southern R/W Regional Airspace Development/Wireless Communication